



Iowa Department of Human Services

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INFORMATIONAL LETTER NO.1547

DATE: September 4, 2015

TO: Iowa Medicaid Hospital Providers

FROM: Iowa Department of Human Services (DHS), Iowa Medicaid Enterprise (IME)

RE: Inpatient Readmissions within 30 Days for Same Condition

EFFECTIVE: July 1, 2015

*******This letter replaces Informational Letter No. 1147 dated July 13, 2012*******

As a cost-savings strategy in the 2015 session, the Iowa Legislature mandated additional changes to the Iowa Medicaid inpatient readmission policy, by changing it from a “7-day” time period to a “30-day” time period. The legislature mandated that this change be effective for inpatient hospital discharges occurring on/after July 1, 2015, and provided emergency rule-making authority for this change. Proposed rules amending current policy have been submitted.

This cost-savings strategy is part of the basis for the department’s legislatively approved budgets for state fiscal years 2016 and 2017, beginning July 1, 2015. The change to a 30-day standard was incorporated into the governor’s budget as proposed to the legislature and used by the legislature’s Conference Committee in estimating the needs to be met by the Medicaid budget. In both the governor’s and the Conference Committee’s budgets, it was assumed that the change would be effective for dates of service on or after July 1, 2015.

Therefore, effective for dates of discharge on and after July 1, 2015, and consistent with the legislative mandate noted above, when an inpatient is discharged from an acute care hospital and is readmitted as an inpatient to the same hospital within thirty days for the same condition, a subsequent claim for an inpatient admission within thirty days shall be combined with the claim for the original inpatient admission and payment shall be under a single diagnosis-related group (DRG) for both admissions.

This policy will be implemented on all new claims received by the IME on/after October 1, 2015. At some point after October 1, 2015, the IME will also begin reprocessing any affected inpatient claims with dates of discharge on/after July 1, 2015, and through discharges on/before September 30, 2015.

As has been the case with the prior “7-day” readmission policy, the IME will automatically deny the second claim received within the 30-day span for the same condition. In these cases, about three weeks after the second claim denies, the provider will notice that the first

claim (the one that paid) will be adjusted by the IME to span the full date range of both claims and the information from both claims will be combined onto the adjustment. In many cases the net reimbursement for the IME adjusted hospital claim will be zero, as the combined DRG will support no further payment than what the original claim paid. In some instances, however, combining both claims will result in a day outlier or cost outlier payment beyond the original payment that will be reimbursed on the adjustment the IME executes.

Background

Informational Letter 1147, which is now being replaced by this letter, communicated Iowa Medicaid's initiation of disallowance of inpatient readmissions to the same hospital, for the same condition and which occurred within seven days of discharge. That change was the result of a 2012 cost-savings initiative approved and mandated by the legislature that year. As a result of that mandate, in September 2012 the IME began combining an original claim with any claim for readmission which occurred within seven days of discharge from the original admission. Prior to this change, if a patient was discharged from an inpatient admission too soon and then subsequently readmitted to the same hospital for that same condition, the hospital would have received two full DRG payments for those two separate admissions. As noted in Informational Letter 1147, such unnecessary hospital readmissions were and continue to be a recognized cost and quality issue in the health care system. Like many payors, including Medicare, the IME instituted its original "7-day" inpatient readmission policy to encourage more careful discharge planning and coordination for improved patient outcomes and corresponding cost-savings.

The IME appreciates your continued partnership as we work to improve the claim processing service quality and accuracy. If you have questions, please contact the IME Provider Services Unit at 1-800-338-7909 or email at imeproviderservices@dhs.state.ia.us.